

**SOUTH CAROLINA PUBLIC SERVICE COMMISSION  
DOCKET NO. 1999-001-E  
DIRECT TESTIMONY OF CAROLINA POWER & LIGHT COMPANY**

**WITNESS RONALD R. PENNY**

1   **Q.**    Please state your name, address, and position with Carolina Power & Light  
2           Company.

3   **A.**    My name is Ronald R. Penny and my business address is 411 Fayetteville Street Mail  
4           Raleigh, North Carolina. My position is Manager - Pricing and Rate Applications,  
5           Treasury Department.

6   **Q.**    Please describe your educational background and professional experience.

7   **A.**    I obtained a Bachelor of Science Degree in Electrical Engineering from North  
8           Carolina State University and then joined the Company's Rates and Service Practices  
9           Department as a Research Analyst in 1975. Since that time, I have held various  
10          positions in the Rates and Engineering Departments before moving to the Treasury  
11          Department. I was appointed to my current position in 1995. While working in the  
12          Rates and Energy Services Department, I was involved in numerous retail rate and  
13          wholesale proceedings. I have sponsored testimony before the Federal Energy  
14          Regulatory Commission and the North Carolina Utilities Commission.

15   **Q.**    Have you previously presented testimony before this Commission?

16   **A.**    Yes, I have. I testified in the Company's past three fuel cases in this jurisdiction

17   **Q.**    What is the purpose of your testimony?

18   **A.**    The purpose of my testimony is to review the Company's fuel cost and revenue  
19          collection for the period January 1998 through December 1998. In addition, I will  
20          recommend a fuel factor for use during the April 1, 1999 through March 31, 2000  
21          period.

1     **Q.     Please explain Penny Exhibit No. 1.**

2     **A.**     Penny Exhibit No. 1 is a summary of CP&L's actual system fuel cost and kilowatt-  
3             hour sales experienced during the period January 1998 through December 1998. The  
4             exhibit first itemizes fossil fuel costs by type of generation resource -- coal, oil, or gas  
5             -- and indicates the type of generating unit which consumed the fuel. The total fossil  
6             fuel expense is shown on line 9.

7             The fossil fuel expense is added to the nuclear fuel expense shown on line 10 and the  
8             net purchased power expense shown on line 13 to provide the total system fuel  
9             expense as shown on line 14. Line 15 is a summary of net system kilowatt-hour sales  
10            associated with the incurred fuel expense. Line 16 indicates the system cost of fuel  
11            per kilowatt-hour sold each month.

12    **Q.     How did the fuel revenue billings compare to the actual fuel costs incurred**  
13       **during the historical period January 1998 through December 1998?**

14    **A.**     Penny Exhibit No. 2 is a monthly comparison of the revenues billed South Carolina  
15             retail customers through the base fuel component of our approved general rates to the  
16             actual fuel costs attributable to those sales. Lines 8 and 16 represent the cumulative  
17             recovery of our fuel expense during this 12-month period. Through December 1998,  
18             the Company was \$14.8 million under recovered in fuel expense as shown on line 16.

19    **Q.     Please explain Penny Exhibit No. 3.**

20    **A.**     Penny Exhibit No. 3 demonstrates the calculation of a base fuel component of  
21             1.374¢/kWh for the 12-month period April 1999 through March 2000 consisting of a  
22             component for recovery of projected fuel expense for this period and a component to  
23             collect the projected under recovery at March 1999. This calculation is performed in

1       accordance with the fuel statute which requires the Company to submit this  
2       information to the Commission.

3       **Q.     Please explain Penny Exhibit No. 4.**

4       **A.**     Penny Exhibit No. 4 is a continuation of my Exhibit No. 2 showing projected costs  
5       and revenues, by month, for the period January 1999 through March 2000 and is  
6       based on the most current fuel cost information available. The projection assumes  
7       scheduled maintenance and refueling outages for certain of our nuclear generating  
8       units based on the latest plan and includes forced outage rates for fossil units based  
9       upon historical outage data. The exhibit continues the use of the current base fuel  
10      component of 1.122¢/kWh for the January through March 1999 period and a base fuel  
11      component of 1.374¢/kWh for the period April 1999 through March 2000.

12     **Q.     What factor are you recommending to the Commission for adoption in this**  
13     **proceeding?**

14     **A.**     I am asking this Commission to continue the current fuel factor of 1.122¢/kWh for the  
15     next 12-month period.

16     **Q.     Why are you recommending a continuation of the existing fuel factor?**

17     **A.**     In the interest of rate stability for our customers, CP&L wishes to continue the current  
18     factor at this time.

19     **Q.     Does that conclude your testimony?**

20     **A.**     Yes, it does.

**CAROLINA POWER & LIGHT COMPANY**

**SYSTEM FUEL COST  
 SOUTH CAROLINA RETAIL FUEL ADJUSTMENT  
 SIX MONTHS ENDED JUNE, 1998**

|                                       | 1998<br>JANUARY   | 1998<br>FEBRUARY  | 1998<br>MARCH     | 1998<br>APRIL    | 1998<br>MAY       | 1998<br>JUNE      |
|---------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| STEAM ELECTRIC (ISSUED FROM ACCT 151) |                   |                   |                   |                  |                   |                   |
| 1 COAL                                | \$37,013,156.44   | \$33,349,487.52   | \$35,823,245.38   | \$30,462,629.45  | \$40,198,125.61   | \$41,498,733.24   |
| 2 OIL                                 | \$315,870.91      | \$189,739.88      | \$293,492.48      | \$213,878.83     | \$270,717.45      | \$178,620.87      |
| 3 NATURAL GAS                         | 0                 | 0                 | 0                 | 0                | 0                 | 0                 |
| 4 TOTAL STEAM ELECTRIC                | \$37,329,027.35   | \$33,539,227.20   | \$36,116,737.86   | \$30,676,508.28  | \$40,468,843.06   | \$41,678,354.11   |
| I. C. TURBINES (ISSUED FROM ACCT 151) |                   |                   |                   |                  |                   |                   |
| 5 OIL                                 | \$120,059.28      | \$2,400.16        | \$1,042,744.53    | \$96,314.75      | \$1,504,103.07    | \$2,861,911.86    |
| 6 NATURAL GAS                         | \$108,666.38      | \$3,067.50        | \$262,905.18      | \$70,095.33      | \$1,467,289.29    | \$2,044,138.11    |
| 7 PROPANE GAS                         | \$3,038.20        | \$3,209.44        | \$158,310.66      | \$0.00           | \$0.00            | \$0.00            |
| 8 TOTAL I. C. TURBINES                | \$231,763.86      | \$8,677.10        | \$1,463,960.37    | \$166,410.08     | \$2,971,392.36    | \$4,906,049.97    |
| 9 TOTAL FOSSIL FUEL                   | \$37,560,791.21   | \$33,547,904.30   | \$37,580,698.23   | \$30,842,918.36  | \$43,440,235.42   | \$46,584,404.08   |
| 10 NUCLEAR FUEL                       | \$9,867,656.01    | \$9,029,681.69    | \$8,161,588.00    | \$8,007,042.97   | \$7,768,774.33    | \$9,405,054.10    |
| 11 PURCHASED POWER: PURCHASES         | \$7,337,783.42    | \$6,665,505.23    | \$9,895,468.86    | \$7,525,442.41   | \$9,402,545.93    | \$22,053,406.47   |
| 12 SALES                              | (\$10,485,594.85) | (\$10,782,643.75) | (\$12,673,190.21) | (\$8,163,345.82) | (\$11,581,528.12) | (\$18,739,227.00) |
| 13 NET                                | (\$3,147,811.43)  | (\$4,117,138.52)  | (\$2,777,721.35)  | (\$637,903.41)   | (\$2,178,982.19)  | \$3,314,179.47    |
| 14 TOTAL FUEL COST                    | \$44,280,635.79   | \$38,460,447.47   | \$42,964,564.88   | \$38,212,057.92  | \$49,030,027.56   | \$59,303,637.65   |
| 15 TOTAL KWH SALES                    | 4,007,596,300     | 3,742,232,400     | 3,570,437,400     | 3,530,088,300    | 3,205,236,900     | 4,162,670,000     |
| 16 COST PER KWH                       | \$0.01105         | \$0.01028         | \$0.01203         | \$0.01082        | \$0.01530         | \$0.01425         |

CAROLINA POWER & LIGHT COMPANY

SYSTEM FUEL COST  
 SOUTH CAROLINA RETAIL FUEL ADJUSTMENT  
 SIX MONTHS ENDED DECEMBER, 1998

|                                       | 1998<br>JULY      | 1998<br>AUGUST    | 1998<br>SEPTEMBER | 1998<br>OCTOBER  | 1998<br>NOVEMBER | 1998<br>DECEMBER |
|---------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| STEAM ELECTRIC (ISSUED FROM ACCT 151) |                   |                   |                   |                  |                  |                  |
| 1 COAL                                | \$48,713,174.27   | \$48,457,501.14   | \$38,508,925.82   | \$32,125,922.89  | \$33,946,820.54  | \$32,422,340.53  |
| 2 OIL                                 | \$166,322.26      | \$239,365.83      | \$199,828.93      | \$113,691.16     | (\$5,732.89)     | \$397,204.10     |
| 3 NATURAL GAS                         | 0                 | 0                 | 0                 | 0                | 0                | 0                |
| 4 TOTAL STEAM ELECTRIC                | \$48,879,496.53   | \$48,696,866.97   | \$38,708,754.75   | \$32,239,614.05  | \$33,941,087.65  | \$32,819,544.63  |
| I. C. TURBINES (ISSUED FROM ACCT 151) |                   |                   |                   |                  |                  |                  |
| 5 OIL                                 | \$1,760,261.73    | \$2,211,030.45    | \$1,349,419.30    | \$172,324.73     | \$187,163.07     | \$56,298.36      |
| 6 NATURAL GAS                         | \$2,903,463.64    | \$2,130,583.79    | \$1,685,700.91    | \$158,575.62     | \$280,494.64     | \$104,684.33     |
| 7 PROPANE GAS                         | \$0.00            | \$0.00            | \$0.00            | \$0.00           | \$0.00           | \$0.00           |
| 8 TOTAL I. C. TURBINES                | \$4,663,725.37    | \$4,341,614.24    | \$3,035,120.21    | \$330,900.35     | \$467,657.71     | \$160,982.69     |
| 9 TOTAL FOSSIL FUEL                   | \$53,543,221.90   | \$53,038,481.21   | \$41,743,874.96   | \$32,570,514.40  | \$34,408,745.36  | \$32,980,527.32  |
| 10 NUCLEAR FUEL                       | \$10,002,412.15   | \$9,101,896.97    | \$9,648,203.85    | \$9,270,029.03   | \$7,399,473.05   | \$9,988,501.79   |
| 11 PURCHASED POWER: PURCHASES         | \$16,831,623.34   | \$17,469,844.13   | \$12,711,785.46   | \$7,955,890.90   | \$7,663,083.63   | \$8,704,033.89   |
| 12 SALES                              | (\$15,132,991.42) | (\$13,495,981.03) | (\$12,418,555.51) | (\$6,949,542.40) | (\$7,983,179.71) | (\$8,510,319.59) |
| 13 NET                                | \$1,698,631.92    | \$3,973,963.10    | \$293,229.95      | \$1,006,348.50   | (\$320,096.08)   | \$193,714.30     |
| 14 TOTAL FUEL COST                    | \$65,244,265.97   | \$66,114,341.28   | \$51,685,308.76   | \$42,846,891.93  | \$41,488,122.33  | \$43,162,743.41  |
| 15 TOTAL KWH SALES                    | 4,804,972,100     | 4,596,958,700     | 4,395,899,100     | 3,725,013,800    | 3,311,461,100    | 3,706,425,900    |
| 16 COST PER KWH                       | \$0.01358         | \$0.01438         | \$0.01176         | \$0.01150        | \$0.01253        | \$0.01165        |

**CAROLINA POWER & LIGHT CO.**

**SOUTH CAROLINA RETAIL FUEL CASE**

**COMPARISON OF ACTUAL FUEL REVENUES AND EXPENSES**  
 January 1998 - December 1998

|                                | 1998<br>JANUARY | 1998<br>FEBRUARY | 1998<br>MARCH | 1998<br>APRIL | 1998<br>MAY   | 1998<br>JUNE  |
|--------------------------------|-----------------|------------------|---------------|---------------|---------------|---------------|
| 1 ACTUAL SC RETAIL SALES (KWH) | 569,648,508     | 561,264,029      | 532,975,523   | 537,784,384   | 479,312,901   | 624,506,700   |
| 2 ACTUAL FUEL COST             | 0.01105         | 0.01028          | 0.01203       | 0.01082       | 0.01530       | 0.01425       |
| 3 FUEL BASE                    | 0.01122         | 0.01122          | 0.01122       | 0.01122       | 0.01122       | 0.01122       |
| 4 REVENUE REQUIRED             | 6,294,616       | 5,769,794        | 6,411,696     | 5,818,827     | 7,333,487     | 8,999,220     |
| 5 REVENUE BILLED               | 6,391,456       | 6,297,382        | 5,979,985     | 6,033,941     | 5,377,891     | 7,006,965     |
| 6 OVER (UNDER) RECOVERY        | 96,840          | 527,588          | (431,711)     | 215,114       | (1,955,597)   | (1,892,255)   |
| 7 ACCOUNTING ADJUSTMENT        |                 |                  |               |               | 58,628        |               |
| 8 CUMULATIVE RECOVERY          | (\$6,197,434)   | (\$5,669,846)    | (\$6,101,557) | (\$5,886,443) | (\$7,783,412) | (\$9,675,667) |

  

|                              | 1998<br>JULY   | 1998<br>AUGUST | 1998<br>SEPTEMBER | 1998<br>OCTOBER | 1998<br>NOVEMBER | 1998<br>DECEMBER |
|------------------------------|----------------|----------------|-------------------|-----------------|------------------|------------------|
| 9 TUAL SC RETAIL SALES (KWH) | 689,257,553    | 680,213,841    | 646,628,065       | 571,336,948     | 493,893,712      | 544,651,513      |
| 10 ACTUAL FUEL COST          | 0.01358        | 0.01438        | 0.01176           | 0.01150         | 0.01253          | 0.01165          |
| 11 FUEL BASE                 | 0.01122        | 0.01122        | 0.01122           | 0.01122         | 0.01122          | 0.01122          |
| 12 REVENUE REQUIRED          | 9,360,118      | 9,781,475      | 7,604,346         | 6,570,375       | 6,188,488        | 6,345,190        |
| 13 REVENUE BILLED            | 7,733,470      | 7,631,999      | 7,255,167         | 6,410,401       | 5,541,487        | 6,110,990        |
| 14 OVER (UNDER) RECOVERY     | (1,626,648)    | (2,149,476)    | (349,179)         | (159,974)       | (647,001)        | (234,200)        |
| 15 ACCOUNTING ADJUSTMENT     |                |                |                   | 81,878          |                  |                  |
| 16 CUMULATIVE RECOVERY       | (\$11,302,315) | (\$13,451,791) | (\$13,800,970)    | (\$13,879,066)  | (\$14,526,067)   | (\$14,760,267)   |

**CAROLINA POWER AND LIGHT**

**SOUTH CAROLINA RETAIL  
CALCULATION FOR BASE FUEL COMPONENT  
February 1999**

1. Projected Expense from April, 1999 through March, 2000

|                      |                  |
|----------------------|------------------|
| Cost of Fuel         | \$575,028,000    |
| System Sales         | 48,297,685 Mwhts |
| Average Cost Per KWH | 1.191 cents      |

2. Projected Revenue Difference through March, 1999

|                             |                 |
|-----------------------------|-----------------|
| Under-Recovery              | (\$13,420,066)  |
| Projected S.C. Retail Sales | 7,338,909 Mwhts |
| Average Cost Per KWH        | -0.183 cents    |

3. Base Fuel Cost Per KWH - Projected Period

|                     |             |
|---------------------|-------------|
| Projected Expense   | 1.191 cents |
| Revenue Difference  | 0.183 cents |
|                     | -----       |
| Base Fuel Component | 1.374 cents |

**CAROLINA POWER & LIGHT CO.**

**SOUTH CAROLINA RETAIL FUEL CASE**

**COMPARISON OF PROJECTED FUEL REVENUES AND EXPENSES**

|                                   | 1999<br>JANUARY | 1999<br>FEBRUARY | 1999<br>MARCH  | 1999<br>APRIL  | 1999<br>MAY   | 1999<br>JUNE  | 1999<br>JULY  | 1999<br>AUGUST | 1999<br>SEPTEMBER |
|-----------------------------------|-----------------|------------------|----------------|----------------|---------------|---------------|---------------|----------------|-------------------|
| 1 ESTIMATED SC RETAIL SALES (KWH) | 578,843,165     | 582,946,000      | 578,339,000    | 553,936,000    | 585,189,000   | 627,656,000   | 708,261,000   | 684,435,000    | 647,552,000       |
| 2 ESTIMATED FUEL COST             | 0.01177         | 0.01024          | 0.00934        | 0.00995        | 0.01132       | 0.01224       | 0.01406       | 0.01289        | 0.01175           |
| 3 FUEL BASE                       | 0.01122         | 0.01122          | 0.01122        | 0.01374        | 0.01374       | 0.01374       | 0.01374       | 0.01374        | 0.01374           |
| 4 REVENUE REQUIRED                | 6,812,984       | 5,969,367        | 5,401,686      | 5,511,563      | 5,624,339     | 7,682,509     | 9,959,150     | 8,822,367      | 7,609,736         |
| 5 REVENUE BILLED                  | 6,494,620       | 6,540,654        | 6,488,964      | 7,611,081      | 8,040,497     | 8,623,993     | 9,731,506     | 9,404,137      | 8,897,364         |
| 6 OVER (UNDER) RECOVERY           | (318,364)       | 571,287          | 1,087,278      | 2,099,418      | 1,415,156     | 941,484       | (225,644)     | 581,770        | 1,288,628         |
| 7 CUMULATIVE RECOVERY             | (\$15,078,631)  | (\$14,507,344)   | (\$13,420,066) | (\$11,320,648) | (\$9,904,490) | (\$8,963,006) | (\$9,189,650) | (\$8,607,880)  | (\$7,319,252)     |

|                                   | 1999<br>OCTOBER | 1999<br>NOVEMBER | 1999<br>DECEMBER | 2000<br>JANUARY | 2000<br>FEBRUARY | 2000<br>MARCH |
|-----------------------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|
| 1 ESTIMATED SC RETAIL SALES (KWH) | 562,529,000     | 568,042,000      | 604,893,000      | 612,929,000     | 594,266,000      | 589,221,000   |
| 2 ESTIMATED FUEL COST             | 0.01193         | 0.01261          | 0.01193          | 0.01175         | 0.01018          | 0.01155       |
| 3 FUEL BASE                       | 0.01374         | 0.01374          | 0.01374          | 0.01374         | 0.01374          | 0.01374       |
| 4 REVENUE REQUIRED                | 6,710,971       | 7,163,010        | 7,216,373        | 7,201,916       | 6,049,628        | 6,805,503     |
| 5 REVENUE BILLED                  | 7,729,148       | 7,804,897        | 8,311,230        | 8,421,844       | 8,165,215        | 8,095,897     |
| 6 OVER (UNDER) RECOVERY           | 1,018,177       | 641,887          | 1,094,857        | 1,219,728       | 2,115,587        | 1,290,394     |
| 7 CUMULATIVE RECOVERY             | (\$6,301,075)   | (\$5,659,188)    | (\$4,564,331)    | (\$3,344,603)   | (\$1,229,016)    | \$61,378      |